

# Financial planning for your children's education

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For many students, starting university marks an exciting new chapter in life. It's a leap forward in education and career aspirations but also brings financial challenges. Anxiety over tuition fees and living costs is common, as many underestimate the actual price of higher education.

**It's often said that university** represents the best years of your life, but financial pressures can make this time stressful. Students can manage expenses through a combination of budgeting, student loans and part-time work. However, long-term financial planning – done years in advance – can provide a significant advantage, even enabling students to graduate debt-free.

## EDUCATION FROM AN EARLY AGE

For parents of younger children, the financial considerations of education can feel overwhelming. While private schooling is a goal for many families, it's an increasingly expensive aspiration, especially with the recent introduction of VAT on private school fees under the Labour government.

Planning early is crucial to easing this burden. The first steps involve calculating when the fees may start, estimating annual fee levels and potential increases, and considering how many children you'll need to provide for. Future family income, assets and inheritance should also influence decision-making.

## EXPLORING INVESTMENT OPPORTUNITIES

If approached wisely, investment strategies are a highly effective way to fund education costs. Historically, owning assets – particularly equities – has proved effective for long-term wealth growth, outperforming cash savings. However, a cash-based savings plan may suffice for those who are risk-averse or only saving for a short period.

A balanced approach could involve keeping five years' worth of education fees in accessible cash while investing the remaining amount. This strategy ensures liquidity for immediate needs while benefiting from potential long-term growth. To achieve an optimal balance between risk and reward, it is wise to build a diversified portfolio containing UK and global equities, bonds and alternatives like commercial property or infrastructure.

## TAX-EFFICIENT SAVING STRATEGIES

Effective tax planning plays a pivotal role in saving for education. Making the most of tax-efficient accounts, such as Individual Savings Accounts (ISAs), can lead to significant savings. Parents can contribute up to £20,000

annually (2024/25) into a Stocks & Shares ISA (or £40,000 for couples). The annual cap for Junior ISAs in the 2024/25 tax year is £9,000, which can reduce the financial strain of university tuition when accessed at age eighteen.

One of the key advantages of Junior ISAs is their flexibility. They allow parents, grandparents and friends to contribute while benefiting from tax-efficient growth and withdrawals as the child enters adulthood.

## GRANDPARENTS' ROLE AND IHT BENEFITS

Grandparents frequently play a supportive role in education funding. Regular gifting from income – provided it does not impact the donor's lifestyle – can mitigate Inheritance Tax (IHT). Up to £3,000 in gifts annually is exempt, or larger gifts removed from IHT if the donor survives for at least seven years.

For significant contributions, grandparents may consider setting up a trust, which can offer additional safeguards. Advanced financial guidance is advisable for those wishing to explore this route.

## PROTECTING AGAINST UNEXPECTED EVENTS

Financial planning should also encompass protection against unforeseen circumstances. Life insurance, critical illness cover and income protection are essential safety nets. Without these, an illness, injury or sudden death could jeopardise a child's education savings plan. These policies provide peace of mind, ensuring your child's future remains secure even in challenging situations.

Education is one of the most significant and rewarding investments you can make for your child. By planning early and considering all available financial tools, you can position your family to meet the costs of both school and university education effectively. Whether your approach features a combination of tax wrappers, investment strategies or simply careful budgeting, every financial effort lays a foundation for your child's future.

## WILL YOU SECURE A FULFILLING AND FINANCIALLY STABLE RETIREMENT?

If you're looking for professional advice tailored to your circumstances, contact us today to secure the best plan for your child's educational needs. Planning today could make all the difference for tomorrow. We look forward to hearing from you.

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